GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:864
ANSWERED ON:22.11.2002
VANISHED COMPANIES
N.N. KRISHNADAS;SUNIL KHAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the total number of cases reported about the companies which vanished after mobilizing money from the investors through public issues during each of the last three years;

(b) whether the Department of Company Affairs has prescribed any criteria for declaring a company as a `vanished` company;

(c) if so, the details thereof;

(d) whether the Government propose to inquire about the veracity of such companies at the time of listing in the capital market for public issues;

(e) if so, details thereof ; and

(f) the steps taken by the Government in order to avoid the hardships of the investors in future?

Answer

THE MINISTER OF FINANCE & COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) 229 companies were reported to have ceased operation after mobilizing money from investors through public issues in the 1990s. No such case has however been reported/noticed during the last three years.

(b to c) A Central Coordination and Monitoring Committee, co-chaired by Secretary, Department of Company Affairs (DCA) and Chairman, SEBI had adopted the following criteria for identifying `vanishing` companies:

(i) does not comply with the listing requirements for two years(listing requirements include filing of annual return and balance sheet) with respective Stock Exchange/ROCs.

(ii) does not submit the required reports to Regional Stock Exchange.

(iii) does not correspond with regional Stock Exchange for two years.

(iv) is not available at its Registered Office at the time of Stock Exchange inspection.

(d to e) The companies proposing to bring out public issues have to comply with SEBI Disclosure & Investor Protection (DIP) Guidelines which inter alia provide for mandatory appointment of a Merchant Banker, who carries out due diligence of the proposed issue, disclosures about the project, background of promoters etc. In addition, for listing their shares on Stock Exchanges, the companies have to comply with all the requirements of the listing agreement including the provisions relating to continuous disclosure.

(f) The field offices of DCA have taken action against such companies for violation of the provisions of the Companies Act, 1956. SEBI has debarred 92 companies and 352 directors u/s 11B of the SEBI Act from raising money from the Capital Market in any form, for a period of five years. Moreover, since December 2001, 117 prosecutions have been launched all over the country under sections 62/63,68 and 628 of the Companies Act. Offences under these sections carry punishment of imprisonment.